

1992-5

YUKON UTILITIES BOARD

ORDER 1992-5

FEBRUARY 25, 1992

RE

THE YUKON ELECTRICAL COMPANY LIMITED, AND
YUKON ENERGY CORPORATION

YUKON UTILITIES BOARD

ORDER 1992-5

TUESDAY THE 25TH DAY OF FEBRUARY A.D. 1992

IN THE MATTER OF the "Public Utilities Act",
being Chapter 143 of the Revised Statutes of
Yukon, 1986, as amended;

AND IN THE MATTER OF a joint application by
The Yukon Electrical Company Limited and Yukon
Energy Corporation to the Yukon Utilities
Board for an Order amending Decisions 1992-1
and 1992-2 dated January 17, 1992.

BEFORE:

THE YUKON UTILITIES BOARD

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THE YUKON ELECTRICAL COMPANY LIMITED SCHEDULES

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AMENDING ORDER

WHEREAS The Yukon Electrical Company Limited ("YECL") and Yukon Energy Corporation ("YEC") ("the Companies") applied to the Yukon Utilities Board ("the Board") by letter dated January 29, 1992 for an order amending Decisions 1992-1 and 1992-2 to reflect certain accounting adjustments as between the two Companies;

AND WHEREAS the information regarding allocations of certain shared costs between YEC and YECL was not provided by the Companies at the time of the hearing to allow the Board to assess the allocations and the related accounting adjustments;

The following summarizes the requested adjustments:

"1. Decision 1992-1 - YEC

Page 43 - Demand Side Management - The \$50,000 in operating expenses is a total for YECL and YEC for both years. The split between companies is:

	<u>1991</u>	<u>1992</u>
YECL	\$15,000	\$15,000
YEC	\$35,000	\$35,000

2. Decision 1992-2 YECL

2.1 Page 33 - Operating and Maintenance Labour - This is a position for the Whitehorse-Aishihik-Faro generating system, and labour to operate this system is in the YEC budget for 1992. Therefore \$50,000 should be deducted from YEC.

2.2 Page 34 - Human Resources Manager - This is a shared cost with YEC, therefore

\$25,000 should be deducted from each company."

AND WHEREAS the Board has reviewed these adjustments;

AND WHEREAS these adjustments do not change the combined revenue requirement of the two Companies and the rates to be charged to consumers;

AND WHEREAS in the Board accepts the adjustments as proposed by the Companies;

NOW THEREFORE IT IS ORDERED THAT:

1. Decision 1992-1 respecting YEC be amended as follows:

a) Page 43 be amended to read:

In its application the Company included \$35,000 in operating expenses for 1991 for Demand Side Management ("DSM") programs and \$250,000 in Construction Work in Progress ("CWIP"). The 1992 forecast included \$35,000 for operating expenses for DSM programs and \$500,000 of capital expenditures for DSM programs. The amount of \$750,000 was forecast to be transferred from CWIP to rate base at the end of 1992.

- b) Page 47 be amended to read:

The Board directs that all DSM expenditures for 1991 and 1992 be placed in CWIP. Accordingly, the Board has reduced the operating expenses by \$135,000 for each of the test years 1991 and 1992. The year end 1992 rate base has also been reduced by \$750,000.

- c) The following paragraphs be added to Section 5.2.2 Labour Costs:

5.2.2.3 Operating and Maintenance Labour

YEC in response to an information request which was responded to on a joint basis by YECL and YEC, indicated that three new positions were required in 1992 due to a forecast increase in diesel generation.

In evidence filed in October 1991 the Companies reduced their 1992 combined revenue requirement on the basis of higher than expected 1991 water flows in the Aishihik system. YEC reduced its forecast 1992 diesel generation to approximately the same level as that forecast for 1991.

During cross-examination the Companies undertook to review their labour requirements for 1992 in light of the revised forecast diesel generation. YECL in its final argument explained that all three positions are required to meet the minimum acceptable operating requirements of

the Whitehorse-Aishihik-Faro ("WAF") electrical grid in Yukon.

The Board is not persuaded that one of these positions will be required in 1992 given the amended forecast diesel generation. Accordingly, the Board has reduced YEC's 1992 operating expenses by \$50,000.

- d) The following paragraphs be added to Section 5.2.2 Labour Costs:

5.2.2.4 Human Resources Manager

During cross-examination Company witnesses explained that YECL had recruited a human resources manager to recruit staff and to identify and implement staff training programs.

YECL in its reply argument stated:

"(i) Human Resources Manager

The functions that have been transferred to the position of Human Resources manager were being performed by the senior supervisors and managers within Yukon Electrical. The role of Human Resources in Edmonton has remained essentially unchanged and these services are being used continuously. The creation of the position has allowed Yukon Electrical management to be more effective in the operation of the Company." (Page 8)

The Board notes that the role of Human Resources in Edmonton has remained essentially the same.

The Board is not persuaded that one additional person is required in 1991 and 1992 to provide human resources services. By way of a letter dated January 29, 1992 the Companies indicated the human resources manager is shared 50% by each of YEC and YECL. Accordingly, the Board has reduced YEC's 1991 and 1992 operating expenses by \$25,000.

- e) The following paragraph should be added to Section 5 Electric Utility Revenue Requirement:

5.5 Shared Costs

YEC is directed to provide a detailed schedule of its portion of any costs shared with YECL in future general rate applications.

- f) Schedules A, B, C, D and E be replaced with the Schedules attached hereto.

2. Decision 1992-2 respecting YECL be amended as follows:

- a) The following paragraph be added to Section 5.2 Operating and Maintenance Expense:

5.2.3 Demand Side Management

For the reasons outlined in Section 6 Demand Side Management in Decision 1992-1, the Board directs that all DSM expenditures for 1991 and 1992 be placed in CWIP.

Accordingly, the Board has reduced operating expenses by \$15,000 for each of the test years 1991 and 1992.

b) Section 5.2.2.1 Operating and Maintenance Labour be deleted.

c) Section 5.2.2.2 Human Resources Manager be amended to read:

5.2.2.2. Human Resources Manager

During cross-examination Company witnesses explained that YECL had recruited a human resources manager to recruit staff and to identify and implement staff training programs.

YECL in its reply argument stated:

"(i) Human Resources Manager

The functions that have been transferred to the position of Human Resources manager were being performed by the senior supervisors and managers within Yukon Electrical. The role of Human Resources in Edmonton has remained essentially unchanged and these services are being used continuously. The creation of the position has allowed Yukon Electrical management to be more effective in the operation of the Company." (Page 8)

The Board notes that the role of Human Resources in Edmonton has remained essentially the same.

The Board is not persuaded that one additional person is required in 1991 and 1992 to provide human resources services. By way of a letter dated January 29, 1992 the Companies indicated the human resources manager is shared 50% by each of YEC and YECL. Accordingly, the Board has reduced YEC's 1991 and 1992 operating expenses by \$25,000.

- d) Schedules A, B, C, D and E be replaced with the Schedules attached hereto.
- e) The following paragraph should be added to Section 5 Electric Utility Revenue Requirement:

5.4 Shared Costs

YECL is directed to provide a detailed schedule of its portion of any costs shared with YEC in future general rate applications.

DATED AT WHITEHORSE, YUKON this 25th day of February 1992.

YUKON UTILITIES BOARD

CHAIRMAN

The Board is not persuaded that one additional person is required in 1991 and 1992 to provide human resources services. By way of a letter dated January 29, 1992 the Companies indicated the human resources manager is shared 50% by each of YEC and YECL. Accordingly, the Board has reduced YEC's 1991 and 1992 operating expenses by \$25,000.

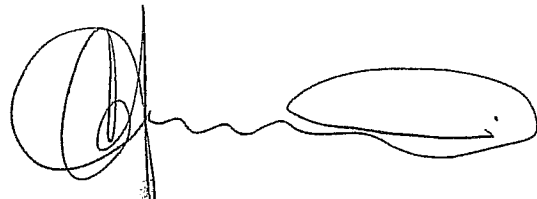
- d) Schedules A, B, C, D and E be replaced with the Schedules attached hereto.
- e) The following paragraph should be added to Section 5 Electric Utility Revenue Requirement:

5.4 Shared Costs

YECL is directed to provide a detailed schedule of its portion of any costs shared with YEC in future general rate applications.

DATED AT WHITEHORSE, YUKON this ^{28th} 25th day of February 1992.

YUKON UTILITIES BOARD



CHAIRMAN

YUKON ELECTRIC CORPORATION LIMITED

Schedule A

1 of 2

1991

RATE BASE

(\$ 000)

AS FILED

AS ALLOWED

	Previous Year -----	Current Year -----	Previous Year -----	Current Year -----
Plant				
Cost	35,324	41,875	35,324	41,875
Deduct:				
Accumulated Depreciation	11,985	13,558	11,985	13,518
Construction-in-progress	94	99	94	99
Dismantling reserve	52	520	52	520
	-----	-----	-----	-----
	23,193	27,698	23,193	27,738
	-----	-----	-----	-----
Mid-year net plant		25,446		25,466
Working capital		2,389		2,350
		-----		-----
		27,834		27,815
		-----		-----
Deduct:				
Contributions	6,758	7,496	6,758	7,496
	-----	-----	-----	-----
Mid-year contributions		7,127		7,127
		-----		-----
Net rate base		20,707		20,688
		=====		=====

YUKON ELECTRIC CORPORATION LIMITED

Schedule A

2 of 2

1992

RATE BASE

(\$ 000)

	AS FILED		AS ALLOWED	
	Previous Year -----	Current Year -----	Previous Year -----	Current Year -----
Plant				
Cost	41,875	48,778	41,875	48,778
Deduct:				
Accumulated Depreciation	13,558	15,317	13,518	15,237
Dismantling reserve	99	104	99	104
Construction-in-progress	520	4,065	520	4,065
	-----	-----	-----	-----
	27,698	29,292	27,738	29,372
	-----	-----	-----	-----
Mid-year net plant		28,495		28,555
Working capital		2,608		2,391
		-----		-----
		31,103		30,946
		-----		-----
Deduct:				
Contributions	7,496	7,946	7,496	7,946
	-----	-----	-----	-----
Mid-year contributions		7,721		7,721
		-----		-----
Net rate base		23,382		23,225
		=====		=====

YUKON ELECTRIC CORPORATION LIMITED

Schedule B

1 of 2

1991

WORKING CAPITAL ALLOWANCE

(\$ 000)

	AS FILED	AS ALLOWED
Operating & Maintenance expenses	17,658	17,624
Taxes - other than income	183	183
Cash operating expenses	17,841	17,807
20/365 thereof	978	976
Prior year income tax provision	852	852
36/365 thereof 33/365 thereof	84	77
Final income tax installment		56
-194/365 thereof		(30)
Inventory (three year average)	1,327	1,327
Working capital	2,389	2,350
	=====	=====

YUKON ELECTRIC CORPORATION LIMITED

Schedule B

1992

2 of 2

WORKING CAPITAL ALLOWANCE

(\$ 000)

	AS FILED	AS ALLOWED
Operating & Maintenance expenses	19,745	18,513
Taxes - other than income	192	192
Cash operating expenses	----- 19,937	----- 18,705
20/365 thereof	----- 1,100	----- 1,025
Prior year tax provision	----- 980	----- 908
36/365 thereof 33/365 thereof	----- 97	----- 82
Final income tax instalment	-----	----- 239
194/365 thereof	-----	----- (127)
Inventory (three year average)	----- 1,411	----- 1,411
Working capital	----- 2,608	----- 2,391
	=====	=====

1991

CAPITAL STRUCTURE AND COST OF CAPITAL

(\$ 000)

	AS FILED				
	MID YEAR BALANCE	CAPITAL RATIOS	MID-YEAR RATE BASE	COST RATE	RETURN
	\$	%	\$	%	\$
Long term debt	9,011	41.514	8,596	11.511	990
Preferred shares	4,940	22.759	4,713	8.561	403
Common shares	7,408	34.129	7,067	14.000	989
No cost capital	347	1.599	331		
	-----	-----	-----	-----	-----
	21,706	100.000	20,707	11.505	2,382
	=====	=====	=====	=====	=====

	AS ALLOWED				
	MID YEAR BALANCE	CAPITAL RATIOS	MID-YEAR RATE BASE	COST RATE	RETURN
	\$	%	\$	%	\$
Long term debt	9,011	41.687	8,624	11.511	993
Preferred shares	4,940	22.853	4,728	8.561	405
Common shares	7,318	33.855	7,004	12.750	893
No cost capital	347	1.605	332		
	-----	-----	-----	-----	-----
	21,616	100.000	20,688	11.071	2,291
	=====	=====	=====	=====	=====

YUKON ELECTRIC CORPORATION LIMITED

Schedule C
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1992

CAPITAL STRUCTURE AND COST OF CAPITAL

(\$ 000)

	AS FILED				
	MID YEAR BALANCE	CAPITAL RATIOS	MID-YEAR RATE BASE	COST RATE	RETURN
	\$	%	\$	%	\$
Long term debt	10,511	39.233	9,173	11.425	1,048
Preferred shares	6,440	24.038	5,620	8.53	479
Common shares	9,422	35.169	8,223	14.750	1,213
No cost capital	418	1.560	365		
	-----	-----	-----	-----	-----
	26,791	100.000	23,382	11.719	2,740
	=====	=====	=====	=====	=====

	AS ALLOWED				
	MID YEAR BALANCE	CAPITAL RATIOS	MID-YEAR RATE BASE	COST RATE	RETURN
	\$	%	\$	%	\$
Long term debt	10,511	39.291	9,125	11.302	1,031
Preferred shares	6,440	24.073	5,591	8.53	477
Common shares	9,383	35.074	8,146	12.750	1,039
No cost capital	418	1.563	363		
	-----	-----	-----	-----	-----
	26,752	100.000	23,225	10.965	2,547
	=====	=====	=====	=====	=====

YUKON ELECTRIC CORPORATION LIMITED

Schedule D

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1992

OPERATING AND MAINTENANCE EXPENSES

(\$ 000)

	AS FILED	AS ALLOWED
Operating and maintenance expenses		
Production	1,097	1,097
Transmission & distribution	1,091	1,091
General	139	139
Public information	99	84
Commercial	716	716
Administration	638	631
Fuel	1,802	1,700
Purchased power	13,721	12,554
Parent allocations	408	408
Insurance	42	42
Inflation adjustment		(24)
Labour adjustment		(25)
Intervenor costs		100
	-----	-----
Total operating & maintenance expenses	19,745	18,513
Taxes - other than income	192	192
Depreciation	1,453	1,413
Income taxes	1,162	1,011
	-----	-----
Total utility expenses	22,552	21,129
	=====	=====

YUKON ELECTRIC CORPORATION LIMITED

Schedule D

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1991

OPERATING AND MAINTENANCE EXPENSES

(\$ 000)

	AS FILED	AS ALLOWED
Operating and maintenance expenses		
Production	988	988
Transmission & distribution	1,033	1,033
General	130	130
Public information	113	113
Commercial	648	648
Administration	546	546
Fuel	1,625	1,600
Purchased power	12,159	12,159
Parent allocations	384	384
Insurance	38	38
Labour adjustment		(15)
	-----	-----
Total operating & maintenance expenses	17,658	17,624
Taxes - other than income	183	183
Depreciation	1,309	1,269
Income taxes	985	908
	-----	-----
Total utility expenses	20,135	19,984
	=====	=====

1992

CALCULATION OF IMPACT OF INFLATION ON OPERATING EXPENSES

	AS FILED	AS ALLOWED
	1992 EXPENSES	1992 EXPENSES
Total other	1,228	1,210
Parent allocations	408	402
	-----	-----
	1,636	1,612
	=====	=====
Inflation rate assumed	5%	3.5%

1991

RATE BASE

(\$ 000)

	AS FILED		AS ALLOWED	
	Previous Year -----	Current Year -----	Previous Year -----	Current Year -----
Plant				
Cost	107,073	116,662	106,873	116,462
Deduct:				
Accumulated Depreciation	8,202	11,022	8,202	10,979
Construction-in-progress	623	1,402	956	2,035
Low water & ins reserves				2,250
	-----	-----	-----	-----
	98,248	104,238	97,715	101,199
	-----	-----	-----	-----
Mid-year net plant		101,243		99,457
Working capital		1,437		1,428
		-----		-----
		102,680		100,885
		-----		-----
Deduct:				
Contributions	265	405	265	405
	-----	-----	-----	-----
Mid-year contributions		335		335
		-----		-----
Net rate base		102,345		100,550
		=====		=====

* Excludes adjustment for DSM operating expenses

YUKON ENERGY CORPORATION

Schedule A

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1992

RATE BASE

(\$ 000)

	AS FILED		AS ALLOWED	
	Previous Year -----	Current Year -----	Previous Year -----	Current Year -----
Plant				
Cost	116,662	135,504	116,462	135,304
Deduct:				
Accumulated Depreciation	11,022	14,212	10,979	14,127
Construction-in-progress	1,402	12,486	2,035	13,821
Low water & ins reserves			2,250	2,250
	-----	-----	-----	-----
	104,238	108,806	101,199	105,106
	-----	-----	-----	-----
Mid-year net plant		106,522		103,152
Working capital		1,432		1,400
		-----		-----
		107,954		104,553
		-----		-----
Deduct:				
Contributions	405	459	405	459
	-----	-----	-----	-----
Mid-year contributions		432		432
		-----		-----
Net rate base		107,522		104,121
		=====		=====

* Excludes adjustment for DSM operating expenses

YUKON ENERGY CORPORATION

Schedule B

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1991

WORKING CAPITAL ALLOWANCE

(\$ 000)

	AS FILED	AS ALLOWED
Operating & maintenance expenses	13,336	13,176
Taxes - other than income	142	142
	-----	-----
Cash operating expenses	13,478	13,318
	-----	-----
21/365 thereof	775	766
	-----	-----
Inventory (three year average)	662	662
	-----	-----
Working capital	1,438	1,428
	=====	=====

YUKON ENERGY CORPORATION

Schedule B

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1992

WORKING CAPITAL ALLOWANCE

(\$ 000)

	AS FILED	AS ALLOWED
Operating & maintenance expenses	13,258	12,700
Taxes - other than income	150	150
	-----	-----
Cash operating expenses	13,408	12,850
	-----	-----
21/365 thereof	771	739
	-----	-----
Inventory (three year average)	661	661
	-----	-----
Working capital	1,432	1,400
	=====	=====

YUKON ENERGY CORPORATION

Schedule C

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1991

CAPITAL STRUCTURE AND COST OF CAPITAL

(\$ 000)

AS FILED

	MID YEAR BALANCE	CAPITAL RATIOS	MID-YEAR RATE BASE	COST RATE	RETURN
		%		%	
Long term debt	65,850	56.616	57,944	8.450	4,896
Common shares	48,210	41.450	42,422	13.500	5,727
No cost capital	2,250	1.934	1,980		
	-----	-----	-----	-----	-----
	116,310	100.000	102,345	10.380	10,623
	=====	=====	=====	=====	=====

AS ALLOWED

	MID YEAR BALANCE	CAPITAL RATIOS	MID-YEAR RATE BASE	COST RATE	RETURN
		%		%	
Long term debt	65,850	57.782	58,100	8.450	4,909
Common shares	48,113	42.218	42,450	12.250	5,200
No cost capital					
	-----	-----	-----	-----	-----
	113,963	100.000	100,550	10.054	10,110
	=====	=====	=====	=====	=====

YUKON ENERGY CORPORATION

Schedule C

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1992

CAPITAL STRUCTURE AND COST OF CAPITAL

(\$ 000)

	AS FILED				
	MID YEAR BALANCE	CAPITAL RATIOS	MID-YEAR RATE BASE	COST RATE	RETURN
		%		%	
Long term debt	73,950	56.128	60,350	8.830	5,329
Common shares	55,552	42.164	45,336	14.250	6,460
No cost capital	2,250	1.708	1,836		
	131,752	100.000	107,522	10.964	11,789
	=====	=====	=====	=====	=====

	AS ALLOWED				
	MID YEAR BALANCE	CAPITAL RATIOS	MID-YEAR RATE BASE	COST RATE	RETURN
		%		%	
Long term debt	73,950	57.292	59,653	8.830	5,267
Common shares	55,125	42.708	44,468	12.250	5,447
No cost capital					
	129,075	100.000	104,121	10.291	10,715
	=====	=====	=====	=====	=====

YUKON ENERGY CORPORATION

Schedule D

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1991

OPERATING AND MAINTENANCE EXPENSES

(\$ 000)

	AS FILED	AS ALLOWED
Operating and maintenance expenses		
Production	3,803	3,803
Transmission & distribution	754	754
General	157	157
Public information	63	63
Commercial	282	282
Administration	509	484
Fuel	5,834	5,834
Purchased power	9	9
Insurance	440	440
YEC corporate expenses	1,485	1,485
DSM adjustment		(135)
	-----	-----
Total operating & maintenance expenses	13,336	13,176
Taxes - other than income	142	142
Depreciation	3,067	3,024
	-----	-----
Total utility expenses	16,545	16,342
	=====	=====

YUKON ENERGY CORPORATION

Schedule D

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1992

OPERATING AND MAINTENANCE EXPENSES

(\$ 000)

	AS FILED	AS ALLOWED
Operating and maintenance expenses		
Production	4,126	4,126
Transmission & distribution	801	801
General	178	178
Public information	63	63
Commercial	310	310
Administration	596	521
Fuel	5,123	4,833
Purchased power	9	9
Insurance	508	508
YEC corporate expenses	1,544	1,544
Inflation adjustment		(58)
DSM adjustment		(135)
	-----	-----
Total operating & maintenance expenses	13,258	12,700
Taxes - other than income	150	150
Depreciation	3,397	3,356
	-----	-----
Total utility expenses	16,805	16,206
	=====	=====

YUKON ENERGY LIMITED

Schedule E

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1992

CALCULATION OF IMPACT OF INFLATION ON OPERATING EXPENSES

	AS FILED	AS ALLOWED
	1992 EXPENSES	1992 EXPENSES
Total other	2,506	2,470
YEC Corporate Costs	1,544	1,522
	-----	-----
	4,050	3,992
	=====	=====
	5%	3.5%